



Thomas A. Schweich  
Missouri State Auditor

---

## NATURAL RESOURCES

# Petroleum Storage Tank Insurance Fund Board of Trustees



---

July 2011

Report No. 2011-34

---

<http://auditor.mo.gov>



**Thomas A. Schweich**  
Missouri State Auditor

# CITIZENS SUMMARY

## Findings in the audit of the Petroleum Storage Tank Insurance Fund Board of Trustees

Background	The Petroleum Storage Tank Insurance Fund (PSTIF) was created by statute to provide insurance to owners and operators of petroleum storage tanks in the event of a leak or spill. The PSTIF is overseen by an 11 member Board of Trustees, which receives assistance from an Advisory Committee. The PSTIF is currently scheduled to expire on December 31, 2020.
Financial Condition	The PSTIF has \$27 million more in liabilities than it has in assets, and it appears revenues will not be enough to cover cleanup costs at contaminated sites. Similar conditions were noted in our 2001 audit. The Trustees should consider various options, such as increasing load transport fees and improving timeliness in finalizing claims, formalizing a risk-based approach for cleanups, increasing participation fees or deductible amounts or reducing liability limits, some of which may require legislative action. The Advisory Board has not reported on the private insurance market since 2003, even though it is required by statute to do so every 2 years, and the Trustees need access to this information to make informed decisions.
Administrative Services Contract	The PSTIF pays a company over \$3 million each year to perform administrative tasks, such as receiving and processing insurance applications, sending renewal notices, and receiving and processing claims. The company charges \$94.35 an hour for claims management services, which seems high compared to salaries and benefits of state employees in similar jobs. The Trustees should document a formal analysis to determine if hiring employees for this work would be a better use of public funds.

In the areas audited, the overall performance of this entity was **Fair**.\*

American Recovery and Reinvestment Act 2009 (Federal Stimulus)	The Petroleum Storage Tank Insurance Fund Board of Trustees did not receive any federal stimulus monies during the audited time period.
--	---

\*The rating(s) cover only audited areas and do not reflect an opinion on the overall operation of the entity. Within that context, the rating scale indicates the following:

<b>Excellent:</b>	The audit results indicate this entity is very well managed. The report contains no findings. In addition, if applicable, prior recommendations have been implemented.
<b>Good:</b>	The audit results indicate this entity is well managed. The report contains few findings, and the entity has indicated most or all recommendations have already been, or will be, implemented. In addition, if applicable, many of the prior recommendations have been implemented.
<b>Fair:</b>	The audit results indicate this entity needs to improve operations in several areas. The report contains several findings, or one or more findings that require management's immediate attention, and/or the entity has indicated several recommendations will not be implemented. In addition, if applicable, several prior recommendations have not been implemented.
<b>Poor:</b>	The audit results indicate this entity needs to significantly improve operations. The report contains numerous findings that require management's immediate attention, and/or the entity has indicated most recommendations will not be implemented. In addition, if applicable, most prior recommendations have not been implemented.

All reports are available on our website: <http://auditor.mo.gov>

---

# Petroleum Storage Tank Insurance Fund Board of Trustees

## Table of Contents

---

State Auditor's Report	2
------------------------	---

---

Management Advisory Report - State Auditor's Findings	1. Financial Condition .....4 2. Administrative Services Contract.....8
---	--

---

Organization and Statistical Information	11
---	----

---

### Appendixes

A	Comparative Statement of Net Assets, June 30, 2010 and 2009 .....	13
B	Comparative Statement of Revenues, Expenses, and Changes in Net Assets, Years Ended June 30, 2010 and 2009.....	14
C	Comparative Statement of Cash Flows, Years Ended June 30, 2010 and 2009.....	15



# **THOMAS A. SCHWEICH**

## **Missouri State Auditor**

Honorable Jeremiah W. (Jay) Nixon, Governor  
and  
Members of the Petroleum Storage Tank  
Insurance Fund Board of Trustees  
and  
Carol Eighmey, Executive Director  
Jefferson City, Missouri

The State Auditor is required under Chapter 29, RSMo, to audit the Petroleum Storage Tank Insurance Fund Board of Trustees. The board engaged Casey-Beard-Boehmer PC (formerly Casey and Company, LLC), Certified Public Accountants (CPAs), to audit the board's financial statements for the years ended June 30, 2010 and 2009. To satisfy our statutory obligation and minimize duplication of effort, the State Auditor has used the work of the CPA firm. We reviewed the reports and substantiating working papers of the CPA firm to satisfy ourselves as to the appropriateness of using the reports, and we accept them in partial fulfillment of our duties under Chapter 29, RSMo. We have also audited certain operations of the board in fulfillment of our duties. The scope of our audit included, but was not necessarily limited to, the years ended June 30, 2010 and 2009. The additional objectives of our audit were to:

1. Evaluate the board's internal controls over significant management and financial functions.
2. Evaluate the board's compliance with certain legal provisions.
3. Evaluate the economy and efficiency of certain management practices and operations.

Our methodology included reviewing minutes of meetings, written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the board, as well as certain external parties; and testing selected transactions. We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. We also obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying Organization and Statistical Information is presented for informational purposes. This information was obtained from the board's management and was not subjected to the procedures applied in our audit of the board.

For the areas audited, we identified (1) no significant deficiencies in internal controls, (2) no significant noncompliance with legal provisions, and (3) the need for improvement in management practices and procedures. The accompanying Management Advisory Report presents our findings arising from our audit of the Petroleum Storage Tank Insurance Fund Board of Trustees.

A handwritten signature in black ink, reading "Thomas A. Schweich". The signature is fluid and cursive, with the first name "Thomas" and last name "Schweich" clearly legible.

Thomas A. Schweich  
State Auditor

The following auditors participated in the preparation of this report:

Director of Audits:	John Luetkemeyer, CPA
Audit Manager:	Mark Ruether, CPA
In-Charge Auditor:	Joyce Thomson

---

# Petroleum Storage Tank Insurance Fund Board of Trustees

## Management Advisory Report

### State Auditor's Findings

---

#### **1. Financial Condition**

Total liabilities of the Petroleum Storage Tank Insurance Fund (PSTIF) exceeded total assets by over \$27 million as of June 30, 2010. Financial projections indicate revenues will not be sufficient to cover clean up costs at contaminated sites through December 31, 2020, which is the expiration date of the fund.

Although the PSTIF had a cash balance exceeding \$78 million at June 30, 2010, the PSTIF also had claim liabilities exceeding \$106 million. Claim liabilities include claim reserves which are estimates of costs for the cleanup of known contamination caused by petroleum releases from underground and aboveground storage tanks, as well as estimated future costs for unknown contaminated sites and any future petroleum leaks or spills. PSTIF personnel routinely prepare financial projections to assist the Board of Trustees in monitoring the financial status of the fund. The financial projections indicate cleanup costs will exceed revenues due to known locations currently undergoing cleanup and potential new cleanup sites.

The Board is required by Section 319.129.17, RSMo, to obtain an actuarial study of the PSTIF every 2 years. These actuarial studies provide a 10-year projection of the estimated financial condition of the PSTIF. The most recently completed study in 2009 indicated the PSTIF would have a deficit of \$58 million by 2019.

We noted similar financial concerns in our prior audit issued in 2001, which indicated the PSTIF was scheduled to expire on December 31, 2003. Because of the large number of contaminated sites requiring cleanup, the Missouri General Assembly has twice extended the expiration date of the PSTIF since 2001, to its current expiration date of December 31, 2020. While the legislature has a history of extending the life of the PSTIF to ensure adequate funding is available for the cleanup of contaminated sites, the Board should consider the following alternatives:

#### **Transport load fee and claim resolution**

Additional revenues could be generated by increasing the transport load fee and finalizing claims in a more timely manner.

The largest source of PSTIF revenues is the transport load fee, which is a fee assessed on each load of petroleum brought into Missouri. Section 319.132, RSMo, authorizes the Board to set the fee at a maximum of \$60 per transport load of 8,000 gallons; however, if the balance of the PSTIF exceeds \$100 million, collection of the transport load fee would be suspended. Prior to 2008, the fee had been set at \$40 per load, but due to increasing cash balances in the PSTIF, the Board reduced the fee to \$20 per load in 2008. Current financial projections and actuarial studies, as described above, are based on the \$20 fee currently in place. The Board indicated it closely monitors the financial condition of the PSTIF and will increase the transport load fee when necessary.



---

## Petroleum Storage Tank Insurance Fund Board of Trustees Management Advisory Report - State Auditor's Findings

---

While the cash balance had been rising prior to 2008, the PSTIF has continued to show an accumulated deficit (liabilities exceeding assets). The amount of claim liabilities remains high in part because a large percentage of claims remain open for many years. Of the 1,100 total open claims in January 2011, 581 (53 percent) claims with total claim reserves of over \$32 million have been open for 10 years or more. Board personnel indicated contact is made with each claimant at least annually to help ensure that cleanup activity is ongoing; however, claims cannot be closed and finalized until the cleanup work is approved by the Department of Natural Resources (DNR). In many instances, the DNR requires the landowners to perform soil and groundwater testing for several years before issuing final approval of the cleanup site, even though no cleanup activity has taken place for several years. In addition, litigation related to certain claims does not allow the claim to be closed and finalized. Board personnel indicated they work with the DNR to resolve old claims, but improvement in the timeliness of finalizing claims has been slow. Timely payment and finalization of old claims would help reduce claim reserves and allow the Board to increase the load transport fee to raise additional funding for the payment of current and future claims.

### Risk-based approach

Although Missouri has made efforts to consider a risk-based approach for petroleum contamination cleanup, standards have not been formally adopted. Section 319.109<sup>1</sup>, RSMo, requires the DNR to adopt a risk-based approach to corrective standards for cleanup of contamination and the Hazardous Waste Management Commission to propose rules to implement these standards by February 13, 2009. In 2001, the DNR formed a group of stakeholders with the help of a national expert to review a risk-based approach for petroleum storage tanks. Proposed standards were prepared in 2004; however, these standards have not been formally incorporated into the Code of State Regulations. Board personnel indicated these standards are normally followed when approving funds for specific projects. With the expectation that cleanup of all contaminated sites is not possible given the limited availability of financial resources, the Board should work with the DNR to ensure a risk-based approach is formally adopted and implemented. This would help ensure cleanup funding is provided to those sites with the greatest environmental impact.

### Private insurance

The Board's Advisory Committee does not report biannually to the General Assembly on the private insurance market for tanks as required by state law. Currently, the PSTIF provides insurance coverage for about 85 percent of the state's petroleum storage tanks. When the program ends (currently set by state law to expire on December 31, 2020) tank owners will need to obtain insurance through private insurance carriers. The last report on the private

---

<sup>1</sup> Section 319.109, RSMo, defines risk-based approach as "... corrective standards which take into account the level of risk to public health and the environment associated with site-specific conditions and future land usage."



---

## Petroleum Storage Tank Insurance Fund Board of Trustees Management Advisory Report - State Auditor's Findings

---

insurance market was prepared in 2003. Board personnel indicated the preparation of this report is not a priority and neither the Governor nor the General Assembly have requested a report since 2003. Section 319.131.2, RSMo, requires the PSTIF Advisory Committee to report biannually to the general assembly on the availability and affordability of the private insurance market as a viable method of meeting the financial responsibilities required by state and federal law in lieu of the PSTIF.

### Participation fees

The Board could generate additional revenues by increasing participation fees. Participants in the insurance program pay an annual insurance participation fee of \$100 to \$200 per storage tank as established by Board rules; however, Section 319.133, RSMo, allows the Board to charge participation fees of \$100 to \$500 per tank. The participation fee provides insurance coverage to the participant in the event of a petroleum spill or leak. The average estimated cost of a contamination cleanup is over \$75,000. To ensure the participation fees are in line with fair market value, the Board should compare the insurance participation fee to insurance premiums available in the market and consider increasing the participation fee accordingly.

### Deductible amount and liability limit

The Board could reduce cleanup costs by seeking legislation to increase the insurance deductible amount and/or decrease the liability limit. In accordance with Section 319.131.4, RSMo, the PSTIF imposes a \$10,000 deductible with the PSTIF paying additional eligible costs up to \$1,000,000 per incident. Since cleanup improves a site's property value, owners have a significant interest in the amount of cleanup, but limited interest in controlling the costs of the cleanup.

From a national industry survey of 49 states performed in September 2010<sup>2</sup>, 5 states create financial incentives for owners to control costs by applying a percentage deductible to the full cost of cleanup and increasing the proportion of costs for which owners are responsible as costs increase. In addition, according to the study, 16 states have deductible amounts higher than \$10,000. Changing the deductible from \$10,000 to a higher amount or as a percentage of costs with different percentages as costs increase could improve the financial condition of the PSTIF.

In addition, decreasing the liability limit would decrease PSTIF costs. Of the approximately 1,200 claims open as of November 2010, 52 claims exceeded \$500,000 which totaled \$36.6 million. If the maximum liability limit was \$500,000, the 52 claims would have totaled \$26 million resulting in a savings to the PSTIF of \$10.6 million.

---

<sup>2</sup> Association of State and Territorial Solid Waste Management Officials, State Funds Task Force, State Funds Survey Results 2010.





---

Petroleum Storage Tank Insurance Fund Board of Trustees  
Management Advisory Report - State Auditor's Findings

---

Conditions previously  
reported

Similar conditions were noted in our prior report issued in 2001. While the Board has taken some action to better monitor financial resources and ensure adequate funding is available for the cleanup of contaminated sites, additional measures are needed to improve the financial condition of the PSTIF and to ensure revenues will be sufficient to cover clean up costs at all contaminated sites through December 31, 2020 (the expiration date of the PSTIF).

Recommendation

The PSTIF Board of Trustees consider the alternatives outlined above and continue to monitor the financial condition of the PSTIF to ensure adequate resources are available for petroleum contamination cleanup. The Board should work with the DNR to ensure timely closure and final payment of claims and formalization of risk-based cleanup standards. In addition, the Board should prepare biannual reports on the availability and affordability of the private insurance market, as required by state law

Auditee's Response

*The PSTIF Board provided the following written response:*

*The PSTIF Board of Trustees is committed to assuring that adequate funds are available to fund all claims as they are submitted, while at the same time keeping fees as low as possible and collecting the minimum amount of money necessary to carry out its responsibilities. The Board believes its 13-year history demonstrates it has successfully balanced these competing goals.*

*Regarding the transport load fee and claim resolution, the Board agrees that if PSTIF-eligible responsible parties would complete their cleanups more quickly, and file reimbursement requests with the PSTIF more quickly, the cash balance in the Trust Fund would decrease more quickly, thereby allowing Trustees to consider increasing the transport load fee to rebuild the reserves that will be necessary for future claims and for paying "runout" after the scheduled 2020 "sunset date" of the program. The Board has a long history of initiating actions and dialogue to try and stimulate quicker cleanups.*

*However, the Board has no statutory authority to compel anyone to initiate a cleanup or complete cleanup activities on any specific timeframe. State law grants to other agencies and offices of state government the authority to compel actions or set deadlines for action. The PSTIF regularly communicates and collaborates with those other agencies.*

*Regarding a risk-based approach to cleanups, the Board concurs that the risk-based cleanup approach currently being administered by the DNR via guidance documents should be "codified" in regulations, and continues to provide input and assistance to the DNR on this issue.*



---

Petroleum Storage Tank Insurance Fund Board of Trustees  
Management Advisory Report - State Auditor's Findings

---

*Regarding private insurance, the Board acknowledges that its Advisory Committee has not prepared a recent report on private insurance, and has directed its Executive Director to work with the Committee to prepare such a report during 2011. The Board would note that its Advisory Committee is comprised of volunteers and has no staff, making biannual preparation of such a report difficult.*

*Regarding participation fees, it is doubtful whether the Board could increase participation fees prior to August 28, 2014, given the General Assembly's prohibition in section 1.310, RSMo.*

*In addition, the Board observes that by authorizing the transport load fee, the General Assembly has intentionally spread the cost of the program over all petroleum distributors, thereby allowing participation fees to remain low for small tank owners/operators, who often have older equipment and thin profit margins. Were the Board to charge actuarially-based participation fees, many small business owners likely could not afford PSTIF coverage.*

*Regarding the deductible and liability limit, the Board notes that when the General Assembly originally created the PSTIF, the deductible was \$25,000; it subsequently reduced the deductible to \$10,000.*

*It is also noted that a higher deductible would undermine the goal of accelerating cleanups, as insured tank owners/operators would likely be slower to undertake the initial phases of cleanups.*

*While a lower per-occurrence limit would obviously reduce the PSTIF's overall financial liability, it would also mean that the PSTIF would no longer meet federal and state "financial assurance" requirements for tank owners/operators, who would then have to purchase private insurance or letters of credit to supplement their PSTIF coverage. The board sees no reason to impose this additional cost on Missouri businesses and doubts there would be support for such a change in the Missouri General Assembly, especially in the current economic climate.*

---

## **2. Administrative Services Contract**

While the Board solicits proposals for administrative services every 5 to 7 years (through the Office of Administration, Division of Purchasing and Materials Management), the Board has not documented a formal cost/benefit analysis comparing the costs of contracting for administrative services to hiring employees to provide these services. The Board has contracted with a firm for several years to provide the majority of administrative functions related to the operation of the PSTIF, including receiving and processing applications for insurance coverage, sending renewal notices, receiving and processing claims, and other accounting and record keeping services. This firm has been paid over \$3 million annually from the PSTIF.



## Petroleum Storage Tank Insurance Fund Board of Trustees Management Advisory Report - State Auditor's Findings

The firm currently bills claims management services at \$94.35 per hour, which accounts for the majority of administrative services provided to the Board. For example, in April 2009, the firm billed for 2,036.5 hours of claims management services totaling \$192,144, which was 70% of the total amount billed (\$274,511) for the month. This hourly rate appears high compared to salaries and benefits paid to comparable state employees. Board personnel indicated the Board has recently discussed the possibility of hiring employees with the Office of Administration, and it was determined that it did not make sense to hire additional state employees at this time due to current state budget problems, declining tank insurance claims, and the pending end of the PSTIF in 2020.

Cost/benefit analyses for major contracting decisions are necessary to ensure funds are spent efficiently and effectively.

### Recommendation

The PSTIF Board of Trustees document a cost/benefit analysis to compare the costs of contracting for administrative services to the costs of providing these services in-house.

### Auditee's Response

*The PSTIF Board provided the following written response:*

*The Board shares the State Auditor's passion for controlling administrative costs and notes that prior to rebidding the contract in 2010, the Trustees and its Executive Director discussed the option of requesting authorization from the Governor and the General Assembly to hire state employees to perform the tasks currently being done by contract employees. It was concluded that was not a realistic or favorable option because:*

- i. Neither the Governor nor the General Assembly were likely to support a request to increase the state workforce at a time both were taking steps to shrink the state workforce.*
- ii. State compensation for the technically-trained personnel required for the PSTIF's work is below market, making it difficult to hire and retain quality personnel.*
- iii. Costs for state employees of equivalent training, expertise and experience as those provided by the Board's contractor are quite similar to the contractor's hourly rates. For example, a registered geologist employed by the State, when fringe benefits and overhead are included, costs \$88-132 per hour, (using salaries of current employees working in the tanks area for the Department of Natural Resources and applying a multiplier of 3.5; see 10 CSR 25-15.010(8)(A)1). Costs for engineers are higher.*



---

Petroleum Storage Tank Insurance Fund Board of Trustees  
Management Advisory Report - State Auditor's Findings

---

- iv. *The time required to obtain appropriation authority from the Governor and the General Assembly, then hire and train personnel, would be significant and would detract from and delay other activities and responsibilities of the Board, including its efforts to expedite cleanups and claim processing.*
- v. *As noted in the audit report, claims management and processing requirements are diminishing over time, making it difficult to hire and train state employees who would then have to be laid off within a few years.*

*Finally, as noted in the report, the Board regularly rebids its contract with the assistance and oversight of OA's Division of Purchasing to assure that it is paying competitive rates for the required services.*

## Auditor's Comment

The PSTIF Board has no basis to conclude the General Assembly and Governor would not seek the most cost effective method to deliver public services. Without a thoroughly prepared and documented analysis, decision makers do not have the information available to make informed decisions. The Board should have had sufficient time to prepare such an analysis since our previous audit raised similar issues over 10 years ago. In addition, the PSTIF was originally set to expire in 1998 and has been extended until 2020. Given the current projected fund deficits, it is likely any additional employees would serve at least 7 or 8 years.

---

# Petroleum Storage Tank Insurance Fund Board of Trustees

## Organization and Statistical Information

---

The Petroleum Storage Tank Insurance Fund (PSTIF) was first established by the Missouri General Assembly in 1989, in response to federal legislation requiring owners and operators of underground storage tanks (USTs) to have financial resources available to pay for cleanup of spills and/or leaks from their tanks. Originally called the Underground Storage Tank Insurance Fund, it began insuring owners and operators of such tanks in May 1992. Since then, the PSTIF has insured more than 4,700 UST sites and 13,000 tanks. Coverage is provided for the costs of cleaning up a leak or spill, as well as third-party property damage or bodily injury resulting from spills or leaks. A \$10,000 deductible applies to each incident, with a policy limit of \$1 million per incident and \$2 million annual aggregate.

In 1995, the Missouri Legislature expanded the responsibilities of the PSTIF to include cleanup of sites where USTs had been closed. The same bill authorized the PSTIF to pay ongoing costs of cleanup at insured sites where a spill/leak had occurred before the owner was insured by the PSTIF. In 1996, the program was again expanded to offer insurance coverage to aboveground storage tanks (ASTs) owners/operators and to pay for cleanup of sites where ASTs had previously operated. This same legislative amendment renamed the fund to the PSTIF and established a Board of Trustees to oversee the PSTIF.

The Board of Trustees has eleven members. Eight members are appointed by the Governor with the advice and consent of the Senate. The other three members are designated officials from executive branch agencies. The Board of Trustees works to ensure monies are effectively used to clean up the environment, participants receive timely professional services, and resources are economically used to benefit the maximum number of Missourians.

The Board of Trustees established an Advisory Committee to assist and advise the Board on PSTIF operations. The Advisory Committee includes a variety of professionals from the petroleum industry, insurance industry, environmental consulting and contracting businesses, and environmental attorneys; also included are representatives from the Department of Natural Resources and the Department of Agriculture.

The PSTIF is primarily financed with a fee assessed on each load of petroleum brought into Missouri. Annual fees are also charged for insurance coverage. The PSTIF Board of Trustees currently contracts with a private company to provide administration services. These services include receiving and processing applications for insurance coverage, sending renewal notices, receiving and processing claims, and other accounting and record keeping services.



## Petroleum Storage Tank Insurance Fund Board of Trustees Organization and Statistical Information

The PSTIF Board of Trustees may appoint an executive director to perform administrative duties. Carol R. Eighmey was appointed Executive Director on August 15, 1997. One other employee performs various administrative and clerical tasks.

State law currently specifies that the PSTIF will expire on December 31, 2020.

### PSTIF Board of Trustees

Members	Term Expires*
Donald McNutt, Chairman	February 2009
James P. Ford, Vice Chairman	February 2008
Thomas Kolb	February 2011
Schuyler J. Mariea	February 2010
Danny Opie	February 2008
Thomas J. Pfeiffer	February 2006
Melvin Schebaum	February 2009
Bruce V. Work	February 2011
John Albert , Department of Agriculture	
Harry Bozoian, Department of Natural Resources	
Renee Slusher, Office of Administration	

\* All members continue to serve on the board until replacements are appointed by the Governor.

### American Recovery and Reinvestment Act of 2009 (Federal Stimulus)

The PSTIF did not receive any federal stimulus monies during the years ended June 30, 2010 and 2009.

## Appendix A

### Petroleum Storage Tank Insurance Fund Comparative Statement of Net Assets

		June 30,	
		2010	2009
Assets			
Current Assets:			
Pooled cash and cash equivalents	\$	78,288,271	83,841,833
Accounts receivable (net of allowance for bad debts)		1,902,461	2,421,120
Accrued interest receivable		105,041	305,772
Total Current Assets		80,295,773	86,568,725
Capital Assets (net of accumulated depreciation)		22,899	19,693
Total Assets	\$	80,318,672	86,588,418
Liabilities and Net Assets			
Current Liabilities:			
Accounts payable	\$	12,791	11,497
Deferred revenue		503,698	514,882
Claims liability		15,000,000	15,000,000
Accrued compensated absences		134,096	57,219
Total Current Liabilities		15,650,585	15,583,598
Noncurrent Liabilities:			
Claims liability		91,816,235	97,688,499
Total Noncurrent Liabilities		91,816,235	97,688,499
Total Liabilities		107,466,820	113,272,097
Net Assets:			
Invested in capital assets, net of related debt		22,899	19,693
Unrestricted (accumulated deficit)		(27,171,047)	(26,703,372)
Total Net Assets		(27,148,148)	(26,683,679)
Total Liabilities and Net Assets	\$	80,318,672	86,588,418

Source: Excerpt from PSTIF audited financial statements

## Appendix B

### Petroleum Storage Tank Insurance Fund

#### Comparative Statement of Revenues, Expenses, and Change in Net Assets

	Year Ended June 30,	
	2010	2009
Operating Revenues		
Transport load, initial tank, and participation fees	\$ 12,868,356	15,269,527
Cost reimbursements and miscellaneous	493	4,511
Total Operating Revenues	12,868,849	15,274,038
Operating Expenses		
Personal services and fringe benefits	1,499,213	1,338,266
Operations	4,141,926	3,918,352
Specific programs-claim expenses	8,066,251	11,739,121
Depreciation	7,928	12,643
Total Operating Expenses	13,715,318	17,008,382
Operating Income	(846,469)	(1,734,344)
Investment earnings		
Investment earnings	899,498	2,015,288
Total Non-operating Revenues	899,498	2,015,288
Income Before Transfers	53,029	280,944
Transfers to other funds	0	110,174
Change in Net Assets	53,029	170,770
Net Assets (Accumulated Deficit) - Beginning of Year	(27,201,177)	(26,854,449)
Net Assets (Accumulated Deficit) - End of Year	\$ (27,148,148)	(26,683,679)

Source: Excerpt from PSTIF audited financial statements

Note: Net assets as of June 30, 2009, and revenues for the year then ended were overstated by \$517,498 for outstanding accounts receivable due from the federal government which were contested and subject to an administrative hearing. Therefore, the collectability of these amounts have become doubtful. A prior period adjustment of \$517,498 was made to July 1, 2009 net assets.



## Appendix C

### Petroleum Storage Tank Insurance Fund Comparative Statement of Cash Flows

	Year Ended June 30,	
	2010	2009
Cash flows from operating activities:		
Cash received from customers and users	\$ 12,671,514	16,655,543
Cash paid to employees	(1,422,336)	(1,376,300)
Cash payments to vendors for goods and services	(3,953,320)	(3,636,346)
Cash payments for claims	(13,938,515)	(15,783,846)
Net cash provided (used) by operating activities	(6,642,657)	(4,140,949)
Cash flows from capital and related financing activities:		
Purchases of capital assets	(11,134)	(6,426)
Net cash provided (used) for capital and related financing activities	(11,134)	(6,426)
Cash flows from investing activities:		
Interest and investment earnings	1,100,229	2,015,288
Net cash provided by investing activities	1,100,229	2,015,288
Net increase (decrease) in cash and cash equivalents	(5,553,562)	(2,132,087)
Transfers to other funds	0	(110,174)
Cash and cash equivalents, beginning of year	83,841,833	86,084,094
Cash and cash equivalents, end of year	\$ 78,288,271	83,841,833
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income	\$ (846,469)	(1,734,344)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation expense	7,928	12,643
Bad debt expense	187,312	0
Changes in assets and liabilities:		
(Increase) decrease in accounts receivables	(186,151)	1,384,963
(Increase) decrease in interest receivable	0	295,943
Increase (decrease) in accounts payable	1,294	(10,512)
Increase (decrease) in deferred revenue	(11,184)	(6,883)
Increase (decrease) in compensated absences	76,877	(38,034)
Increase (decrease) in claims payable	(5,872,264)	(4,044,725)
Net cash provided by operating activities	\$ (6,642,657)	(4,140,949)

Source: Excerpt from PSTIF audited financial statements